

**REPORT OF THE AUDIT OF THE  
MAGOFFIN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MAGOFFIN COUNTY SHERIFF**

**For The Year Ended  
December 31, 2006**

The Auditor of Public Accounts was engaged to complete the Magoffin County Sheriff's audit for the year ended December 31, 2006. Based upon the work performed, we have disclaimed an opinion on the financial statement and supplemental information.

#### **Debt Obligations:**

Capital lease principal agreements totaled \$77,711 as of December 31, 2006. Future principal and interest payments of \$92,697 are needed to meet these obligations.

#### **Report Comments:**

- |         |  |
|---------|--|
| 2006-01 | The Sheriff Failed To Manage The Financial Activities Of His Office Resulting In An \$84,990 Deficit For 2006                                      |
| 2006-02 | The Sheriff Should Eliminate The \$84,990 Deficit In His Fee Account   |
| 2006-03 | The Sheriff Did Not Report Or Remit \$67,659 In Payroll Withholdings   |
| 2006-04 | The Sheriff Had \$26,737 In Disallowed Expenditures Paid From His Official Account   |
| 2006-05 | The Sheriff Had \$14,300 Of 2006 Expenditures That Were Unaccounted For And At Least Fifteen Months Old  |
| 2006-06 | The Sheriff Has A \$1,700 Disallowed Expenditure Resulting From The Use Of Confiscated Funds Without A Court Order And Lacked Proper Recordkeeping |
| 2006-07 | The Sheriff Did Not Comply With Lease Agreements And Did Not Make Scheduled Payments In A Timely Manner  |
| 2006-08 | The Sheriff Should Ensure Eligible Employees Participate In the County Employees Retirement System   |
| 2006-09 | The Sheriff Did Not Prepare Accurate Financial Reports And Maintain Required Financial Records   |
| 2006-10 | The Sheriff Did Not Prepare and Present An Annual Financial Statement  |
| 2006-11 | The Sheriff Should Eliminate The \$3,764 Deficit In His 2005 Fee Account   |
| 2006-12 | The Sheriff's Office Lacks Adequate Segregation Of Duties  |
| 2006-13 | The Sheriff Should Eliminate The \$24,158 Deficit In His 2004 Fee Account  |

#### **Deposits:**

The Sheriff's deposits as of December 31, 2006 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$91,388

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Dr. Charles E. Hardin, Magoffin County Judge/Executive  
The Honorable Randall Jordan, Magoffin County Sheriff  
Members of the Magoffin County Fiscal Court

Independent Auditor's Report

We were engaged to audit the financial activity contained in the Fourth Quarterly Report of the Sheriff of Magoffin County, Kentucky, for the year ended December 31, 2006. This financial report is the responsibility of the Magoffin County Sheriff.

The Magoffin County Sheriff did not maintain adequate accounting records to allow us to verify the revenues and expenditures and determine the validity of the transactions for the year ended December 31, 2006. We were unable to apply procedures to determine whether the financial report is presented fairly in conformity with the regulatory basis of accounting and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Magoffin County Sheriff's records did not permit the application of other auditing procedures to revenues and expenditures for the year ended December 31, 2006.

Since the Magoffin County Sheriff did not maintain adequate accounting records and we were unable to apply other auditing procedures to satisfy ourselves as to the revenues and expenditures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial report.

We were engaged to audit the financial report referred to above for the purpose of forming an opinion on the financial report. The Schedule Of Excess Of Liabilities Over Assets is presented for purposes of additional analysis and is not a required part of the financial report. As discussed in the third paragraph above, the scope of our work was not sufficient to enable us to express an opinion on the financial report of the Sheriff. Similarly, we are unable to express and do not express an opinion on the Schedule Of Excess Of Liabilities Over Assets in relation to the financial report.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2007, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Dr. Charles E. Hardin, Magoffin County Judge/Executive  
The Honorable Randall Jordan, Magoffin County Sheriff  
Members of the Magoffin County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2006-01 The Sheriff Failed To Manage The Financial Activities Of His Office Resulting In An \$84,990 Deficit For 2006
- 2006-02 The Sheriff Should Eliminate The \$84,990 Deficit In His Fee Account
- 2006-03 The Sheriff Did Not Report Or Remit \$67,659 In Payroll Withholdings
- 2006-04 The Sheriff Had \$26,737 In Disallowed Expenditures Paid From His Official Account
- 2006-05 The Sheriff Had \$14,300 Of 2006 Expenditures That Were Unaccounted For And At Least Fifteen Months Old
- 2006-06 The Sheriff Has A \$1,700 Disallowed Expenditure Resulting From The Use Of Confiscated Funds Without A Court Order And Lacked Proper Recordkeeping
- 2006-07 The Sheriff Did Not Comply With Lease Agreements And Did Not Make Scheduled Payments In A Timely Manner
- 2006-08 The Sheriff Should Ensure Eligible Employees Participate In the County Employees Retirement System
- 2006-09 The Sheriff Did Not Prepare Accurate Financial Reports And Maintain Required Financial Records
- 2006-10 The Sheriff Did Not Prepare and Present An Annual Financial Statement
- 2006-11 The Sheriff Should Eliminate The \$3,764 Deficit In His 2005 Fee Account
- 2006-12 The Sheriff's Office Lacks Adequate Segregation Of Duties
- 2006-13 The Sheriff Should Eliminate The \$24,158 Deficit In His 2004 Fee Account

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Magoffin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

November 9, 2007



## FOURTH QUARTERLY REPORT



Part Two Receipts	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
1. Federal Grants		18,533.40	\$20,059.04	\$23,110.16	\$31,626.76	\$93,329.36		
2. State Grants						\$0.00		
3. State - KLEFFP		\$1,808.31	\$2,821.70	\$3,100.12	\$3,266.84	\$10,996.97		
4. Receipts YTD						\$0.00		
5. Finance and Administration Cab.		\$17,240.00	\$27,000.00	\$28,492.00	\$40,852.00	\$113,584.00		
6. Cabinet Human Resources		\$723.30	\$126.40	\$584.00	\$714.00	\$2,147.70		
7. Circuit Clerk						\$0.00		
8. Sheriff Security Services		\$348.29	\$982.26	\$1,674.62	\$1,868.74	\$4,873.91		
9. Fines/Fees Collected		\$470.00	\$775.50	\$1,060.00	\$790.00	\$3,099.50		
10. Court Ordered Payments						\$0.00		
11. Fiscal Court (includes Election Comm.)		\$6,104.54	\$10,918.99	\$9,385.93	\$16,814.61	\$43,224.07		
12. County Clerk (delinquent taxes)		\$80.92	\$2,656.02	\$1,738.37	\$1,950.41	\$6,425.72		
13. Commissions on Taxes Collected		\$11,430.89	\$17,397.16	\$6,353.08	\$87,549.79	\$122,730.92		
14. Fees Collected for Services						\$0.00		
15. Auto Inspections		\$625.00	\$735.00	\$355.00	\$485.00	\$2,200.00		
16. Accident/Police Reports		\$15.00	\$15.00	\$5.00	\$0.00	\$35.00		
17. Serving Papers		\$1,710.00	\$1,760.00	\$1,780.00	\$1,300.00	\$6,550.00		
18. CCDW		\$2,989.00	\$2,173.00	\$486.00	\$396.00	\$6,044.00		
19. Other (misc 10, Loan To Fee Account, Auctord)		\$3,301.96	\$0.00	\$11,890.61	\$7,645.00	\$22,837.57		
20.			\$332.00		\$600.00	\$932.00		
21. Interest Earned		\$0.05		\$0.06	\$9.54	\$9.65		
22. Total Revenues						\$0.00		
23. Petty Cash						\$0.00		
24. Borrowed Money						\$0.00		
25. State Advancement						\$0.00		
26. Bank Note						\$0.00		
27. Total Receipts (total lines 21 through 26)		\$65,380.66	\$87,756.07	\$90,014.95	\$195,868.69	\$439,020.37		

Copy the figures shown on line 27 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figures shown on line 27 in the Total YTD column to page 1, column 2, line 1. Copy the figure shown on line 27 in the Receivable column to page 1, line 9.

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations 12/31	Settlement Total
1. Personal Services						\$0.00		
2. Sheriff's Gross Salary		\$19,452.53	\$16,001.82	\$16,001.82	\$21,335.76	\$72,791.93		
3. Deputies' Gross Salaries		\$49,454.08	\$58,155.17	\$60,237.23	\$68,306.02	\$236,152.50		
4. Part Time Gross Salaries		\$50.00				\$50.00		
5. Other Gross Salaries		\$8,682.00	\$8,448.00	\$5,760.00	\$7,777.68	\$30,667.68		
6. Overtime Gross						\$0.00		
7.						\$0.00		
8. Employee Benefits						\$0.00		
9. Employer's Share Social Security		\$4,556.24	\$919.61			\$5,475.85		
10. Employer's Share Retirement						\$0.00		
11. Employer's Share Haz. Duty Ret.						\$0.00		
12. Employer Paid Health Ins.		\$2,373.95				\$2,373.95		
13. Training Fringe Benefit (HB810)		\$3,301.96				\$3,301.96		
14. Contracted Services						\$0.00		
15. Advertising						\$0.00		
16. Vehicle maintenance and repairs				\$1,200.00	\$2,580.97	\$3,780.97		
17. Mobile Phone		\$314.87	\$533.00	\$174.66	\$750.69	\$1,773.22		
18. Supplies and Materials (Tangible items with limited lifespan)						\$0.00		
19. Office Materials and supplies		\$980.19	\$285.36	\$42.29	\$100.02	\$1,407.86		
20. Uniforms		\$102.00				\$102.00		
21. Gasoline		\$1,523.69	\$6,975.64	\$2,442.58	\$3,490.70	\$14,432.61		
22. Feeding Jurors					\$85.50	\$85.50		
23.						\$0.00		
24.						\$0.00		
25. Other Charges (Non-commenced services, non-auditable items)						\$0.00		
26. Convention					\$3,001.93	\$3,001.93		
27. Dues			\$300.00	\$300.00	\$330.00	\$630.00		
28. Postage						\$0.00		
29. Mileage on Personal Vehicles						\$0.00		
30. Vehicle Expense		\$500.00				\$500.00		
31. Bond			\$634.38	\$304.50	\$482.15	\$1,421.03		
32. K-9 1st. Court Ordered Payment 3rd. Unemployment Insurance 4		\$191.74		\$1,700.00	\$7,917.30	\$9,809.04		
33. 1st Serving Papers, 4th Misc. (Stop Payment Charge/Shoptite/7		\$120.00			\$9,263.89	\$9,383.89		

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations 12/31	Settlement Total
34. Auto Expenses on Personal Vehicles						\$0.00		
35. Gasoline						\$0.00		
36. Maintenance and repairs						\$0.00		
37. Insurance						\$0.00		
38. Depreciation						\$0.00		
39.						\$0.00		
40. Debt Service (borrowed money, interest, leases/purchases)						\$0.00		
41. State Advancement						\$0.00		
42. Notes		\$684.96	\$4,889.65	\$128.63	\$40,333.25	\$46,036.49		
43. Interest						\$0.00		
44. Overdraft Charges		\$3,013.00	\$6,688.50	\$4,770.00	\$3,260.00	\$17,731.50		
45. Capital Outlay (one-time purchases of tangible items lasting in nature)						\$0.00		
46. Office Equipment						\$0.00		
47. Vehicles					\$8,138.31	\$8,138.31		
48. Misc.			\$2,814.64			\$2,814.64		
49.						\$0.00		
50. Total		\$95,301.21	\$106,345.77	\$93,061.71	\$177,154.17	\$471,862.86		
For offices that fee pool, pay fees to county prior to December 31, or counties over 70,000 in population, show payments on appropriate line below.								
51. Payments to County Treasurer						\$0.00		
52. Payments to State Treasurer						\$0.00		
53. Total Disbursements (Total lines 50, 51, and 52)		\$95,301.21	\$106,345.77	\$93,061.71	\$177,154.17	\$471,862.86		

Copy the figures shown on line 53 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on line 53 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on line 53 in the Unpaid column (use

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SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS – REGULATORY BASIS





MAGOFFIN COUNTY  
 RANDALL JORDAN, SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS – REGULATORY BASIS

December 31, 2006

Assets

Deposits in Transit		\$ 143
Receivables:		
2006 Fee Account Receivables for January 1, 2007 - July 23, 2007	\$ 99,631	
2006 Fee Account Receivables for July 24, 2007 - November 1, 2007	2,786	102,417
		<hr/>
Total Assets		102,560

Liabilities

Paid Obligations:

Outstanding Checks	247	
Outstanding Liabilities paid through July 23, 2007	82,103	
Outstanding Liabilities paid July 24, 2007 - November 1, 2007	25,154	
	<hr/>	
Total Paid Obligations		107,504

Unpaid Obligations:

Bank Cash Shortage as of December 31, 2006	429	
Lease Purchase Agreement	7,751	
Federal Withholdings	54,981	
Unpaid 2006 Expenses	2,802	
Due 2007 Fee Account	14,083	
	<hr/>	
Total Unpaid Obligations		80,046
		<hr/>
Total Liabilities		187,550
		<hr/>
Total Fund Deficit as of December 31, 2006		\$ (84,990)

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Dr. Charles E. Hardin, Magoffin County Judge/Executive  
The Honorable Randall Jordan, Magoffin County Sheriff  
Members of the Magoffin County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We were engaged to audit the statement of revenues, expenditures, and excess fees - regulatory basis of the Magoffin County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated November 9, 2007, wherein we disclaimed an opinion on the financial statement because the Sheriff failed to maintain adequate accounting records.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Magoffin County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Magoffin County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magoffin County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2006-01 and 2006-12.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Magoffin County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations: 2006-01, 2006-02, 2006-03, 2006-04, 2006-05, 2006-06, 2006-07, 2006-08, 2006-09, 2006-10, 2006-11, and 2006-13.

The Magoffin County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Magoffin County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

November 9, 2007

## COMMENTS AND RECOMMENDATIONS





MAGOFFIN COUNTY  
RANDALL JORDAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

2006-01 The Sheriff Failed To Manage The Financial Activities Of His Office Resulting In An \$84,990 Deficit For 2006

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This audit report addresses internal control and compliance issues including the following:

- The Sheriff did not complete financial reports in a timely manner.
- The Sheriff failed to properly report and remit payroll withholdings.
- The Sheriff's office lacks adequate segregation of duties.
- The Sheriff did not maintain adequate supporting documentation for expenditures.
- The Sheriff did not comply with the terms of a lease agreement by making timely payments.

These conditions increase the risk of material misstatement caused by errors or fraud and we recommend the Sheriff improve the financial accountability of his office by addressing these issues. The Sheriff should participate in the daily operations of his office by providing direct oversight of financial reporting for receipts and disbursements. The Sheriff should oversee the preparation of daily deposits and monthly bank reconciliations and he should review all supporting documentation for expenditures prior to payment. The Sheriff should contact the Governor's Office for Local Development and seek additional training and technical assistance. This report will be referred to the Magoffin County Attorney for review of the comments included. The County Attorney should advise the fiscal court with regard to the continuing operations of the Sheriff's office and potential liabilities related to the findings in this audit. The conditions discussed in our audit indicate that public funds are at risk without significant improvement in the financial and administrative practices in the Sheriff's office.

*Sheriff's Response: By changing my administrative staff all reporting has improved tremendously already. I will review all deposits and bank reconciliations and initial, taxpayers' monies will not be at risk as I will pay all deficits personally.*

2006-02 The Sheriff Should Eliminate The \$84,990 Deficit In His Fee Account

The Sheriff has a deficit of \$84,990 in his fee account as of December 31, 2006. The deficit is the result of \$58,253 in expenditures in excess of available revenues and an additional \$26,737 in disallowed expenditures. In order to eliminate the deficit, we recommend the Sheriff deposit \$84,990 in personal funds into the 2006 fee account. Based on available records, the Sheriff's 2006 fee account has unpaid obligations of \$80,046 which should be paid upon the deposit of personal funds. It should be noted that unpaid obligations for 2006 could increase significantly based on the referral of this audit to the Kentucky Retirement System (retirement liabilities), the Internal Revenue Service, the Social Security Administration, and the Revenue Department of the Kentucky Finance and Administration Cabinet (additional penalties and/or interest related to late payroll withholding payments).

*Sheriff's Response: The Sheriff will personally deposit money for disallowed expenditures, shortage of receipts, and unpaid liabilities for 2006 fee account.*

MAGOFFIN COUNTY  
RANDALL JORDAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2006  
(Continued)

2006-03 The Sheriff Did Not Report Or Remit \$67,659 In Payroll Withholdings

The Sheriff did not report or remit \$67,659 of the \$80,424 of total payroll withholdings due for 2006 and has not remitted all withholdings due for 2007. The unremitted amount was used for operational expenditures of his office. However, the employee wage and tax statements (i.e. W-3, W-2, K-3 and K-2) reported the actual amounts withheld.

As the trustee/agent, the Sheriff is responsible for reporting and remitting taxes and withholdings to the appropriate agencies in a timely manner. Penalties and interest are charged on taxes paid late and returns filed late however, we could not determine an amount.

We recommend the Sheriff immediately remit all federal, state, and local payroll withholdings due for 2006 and 2007. All penalties and interest charged for late payments and reporting should be paid personally by the Sheriff. We will refer this matter to the Internal Revenue Service and the Kentucky Department of Revenue for review.

*Sheriff's Response: All federal, state, and local withholdings for 2006 and 2007 will be remitted, with all penalties and interest paid personally by the Sheriff.*

2006-04 The Sheriff Had \$26,737 In Disallowed Expenditures Paid From His Official Account

The Sheriff had \$26,737 in disallowed expenditures paid from his 2006 fees. These expenditures included:

- \$17,682 in bank overdraft fees and insufficient fund charges
- \$963 late payment fees on a bank note and lease purchase agreement
- \$25 late fee on unemployment insurance
- \$1,513 of fines levied by the IRS relating to the Sheriff's 2005 payroll
- \$1,101 of 2005 city payroll taxes
- \$2,075 of 2005 operating expenditures
- \$3,378 of expenditures without supporting documentation

Overdraft fees, insufficient fund charges, and late fees are not necessary expenditures. In addition, 2006 fees should only be used to pay liabilities of the 2006 account. We recommend the Sheriff maintain proper and accurate documentation for all expenditures and that all payments be made in a timely manner in order to avoid late fees and finance charges. We also recommend the Sheriff deposit personal funds in the amount of \$26,737 into the 2006 fee account in order to reimburse the official account for these disallowed expenditures.

*Sheriff's Response: Proper documentation will be made for all expenditures and payments will be made in a timely manner in order to avoid excess fee. \$26,737 will be deposited by Sheriff into the 2006 fee account.*

MAGOFFIN COUNTY  
 RANDALL JORDAN, SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Year Ended December 31, 2006  
 (Continued)

2006-05 The Sheriff Had \$14,300 Of 2006 Expenditures That Were Unaccounted For And At Least Fifteen Months Old

On May 30, 2007, the Auditor of Public Accounts (APA) conducted an exit conference with the Sheriff for his 2006 fee account. At that time we became aware the Sheriff had unopened mail that could have been for 2006 or other years. The Sheriff was instructed to account for all of the mail and the APA would review the information and based on the results, revise the audit. The result of the unopened mail accounted for \$2,780 in receipts and \$14,300 of additional liabilities to be paid from his 2006 fee account.

All mail should be opened timely, sorted and filed accordingly. Good internal control would dictate all checks received should be promptly accounted and deposited into the bank. In addition, all bills received should be accounted and paid within a reasonable amount of time. KRS 65.140 states that all bills for goods or services should be paid within 30 working days of receiving vendor invoices and an interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty (30) working days which followed receipt of the vendor's invoice by the purchaser.

Due to the disarray of office records, we are unable to give any assurance if all deposits and possible liabilities have been identified and properly processed. We recommend that Sheriff exercise control over expenditures, especially for invoices, that alleviates the risk of unaccounted invoices. Pursuant to KRS 65.140, the Sheriff may owe interest due to late payment. Each bill must be reviewed to determine if the delay in payment was justified. Any interest owed to vendors is not an allowable expense and should be paid personally by the Sheriff. We further recommend the Sheriff complete a review of all the late payments and submit to the County Attorney to determine additional penalty payments payable to vendors.

*Sheriff's Response: All mail will be and is at this time opened on a daily basis, all bills will be paid in a timely manner. Any interest incurred will be personally paid by me. All records are being kept in files and organized, as they should be.*

2006-06 The Sheriff Has A \$1,700 Disallowed Expenditure Resulting From The Use Of Confiscated Funds Without A Court Order And Lacked Proper Recordkeeping

A \$1,700 check written to an individual from the 2006 fee account was questioned during the audit. The Sheriff explained that on June 30, 2006, he confiscated \$1,700 in a criminal matter. He said the cash was placed in a vault in the evidence room and labeled, and then the funds were subsequently used in another criminal investigation. He felt sure the court would forfeit the cash to his office. However, on July 14, 2006, the court released the money back to the suspect. Since the Sheriff had already used the cash, a check was written from his official fee account to reimburse the \$1,700 back to the suspect.

The Sheriff does not maintain a log relating to investigative fund disbursements nor does he maintain a separate account for forfeiture money awarded by the court. Therefore, we cannot determine if the confiscated cash was actually used during the course of any criminal investigation

MAGOFFIN COUNTY  
RANDALL JORDAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2006  
(Continued)

2006-06 The Sheriff Has A \$1,700 Disallowed Expenditure Resulting From The Use Of  
Confiscated Funds Without A Court Order And Lacked Proper Recordkeeping  
(Continued)

and should not have been used prior to being forfeited by the court. Due to the lack of documentation the \$1,700 would not be considered a reasonable or necessary expenditure of the office and has been disallowed.

We recommend the Sheriff seek guidance from the office of the Attorney General for proper procedures to handle confiscated funds. In addition, the Sheriff should utilize a record keeping system related to informant payments in criminal cases for proper oversight of investigated funds. Then he should ensure that all forfeited money is expended for official use or direct law enforcement purposes.

*Sheriff's Response: I will start logging all confiscated monies and open an account just for this money. I will also seek training on the handling of forfeited monies.*

2006-07 The Sheriff Did Not Comply With Lease Agreements And Did Not Make Scheduled  
Payments In A Timely Manner

On July 20, 2006, the Sheriff entered into a lease agreement to purchase three Dodge Chargers to use as cruisers that required quarterly payments in the amount of \$7,751. The first payment due on August 3, 2006 was paid three months late and incurred a late fee of \$388. The Sheriff did not have funds available to make the second payment in November 2006. On January 18, 2007, the second payment was made from his 2007 fee account. We recommend that the Sheriff follow the lease agreement as required and pay this quarterly obligation in a timely manner. In addition, we recommend that the Sheriff refrain from making 2006 fee account expenses from his 2007 Fee account.

*Sheriff's Response: Arrangements are being made to return two of the Charges and payment will be made timely on the third per the lease agreement. No 2006 fee account expenses will be taken from the 2007 fee account.*

2006-08 The Sheriff Should Ensure Eligible Employees Participate In the County Employees  
Retirement System

Our testing noted eight (8) deputies worked an average of 107 hours a month over the year. KRS 78.615 requires employees who averages 100 or more hours per month participate in the retirement system. These employees did not participate in the retirement system. We recommend the Sheriff ensure all eligible employees participate in the County Employee Retirement Systems (CERS). We will refer this matter to the Kentucky Retirement System for review. Depending on the final resolution of this matter, contributions may be due from the Sheriff and his deputies to the retirement system.

*Sheriff's Response: The Sheriff will ensure that all eligible employees participate in the County Employee Retirement System. Any contributions due from the Sheriff or deputies will be made.*

MAGOFFIN COUNTY  
RANDALL JORDAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2006  
(Continued)

2006-09 The Sheriff Did Not Prepare Accurate Financial Reports And Maintain Required Financial Records

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Our audit disclosed the following relating to the preparation of accurate financial reports and maintenance of required financial records.

- Bank reconciliations were not prepared for every month throughout the year. Bank reconciliations should be prepared to detect bank errors and posting errors made to the ledgers. During our procedures it was necessary to make several adjustments to reconcile receipts and expenditures to our proof of cash.
- The Sheriff did not file any quarterly reports with the Governor's Office for Local Development during year 2006. Quarterly reports should be filed by the 30<sup>th</sup> day of the month following the end of the quarter.

We recommend the Sheriff prepare bank reconciliations on a monthly basis and quarterly reports be prepared and submitted as required.

*Sheriff's Response: Beginning immediately, bank reconciliations will be made monthly and initialed by Sheriff. Additionally, quarterly reports will be prepared and submitted timely.*

2006-10 The Sheriff Did Not Prepare And Present An Annual Financial Statement

The Sheriff did not prepare an annual financial statement for 2006 or present it to the fiscal court. KRS 424.220(1) requires the Sheriff to prepare an itemized, sworn statement of funds collected, received, held, or disbursed during the year. Also, KRS 134.310 requires the sheriff to present his annual settlement to the fiscal court. We recommend the Sheriff prepare and present his annual financial statement to be in compliance.

*Sheriff's Response: The 2006 annual financial statement is being prepared and will be presented by the Sheriff to the Fiscal Court. 2007 annual financial statement will also be prepared and presented.*

2006-11 The Sheriff Should Eliminate The \$3,764 Deficit In His 2005 Fee Account

Our review of the prior year audit report comments revealed the Sheriff has not eliminated the \$3,764 deficit for his 2005 fee account. The deficit is due to disallowed expenditures of \$3,614 for bank overdraft fees and \$150 for bank note late payments. As of the audit date, the Sheriff has not personally deposited funds into the 2005 fee account to eliminate the deficit. We recommend the Sheriff deposit personal funds in the amount of \$3,764 to eliminate the deficit.

*Sheriff's Response: The Sheriff will deposit \$3,764 to eliminate the 2005 Fee Account deficit by June 11, 2007.*

MAGOFFIN COUNTY  
RANDALL JORDAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2006  
(Continued)

2006-12 The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties for receipts and disbursements. The Sheriff does not have adequate oversight of daily operations or monitoring of the financial activities. The Sheriff has delegated the financial duties to his office manager. The office manager collects receipts, maintains ledgers, prepares all checks, and prepares reports and financial statements. Good internal controls dictate the same employee should not handle, record and reconcile receipts and disbursements. If the Sheriff cannot segregate these duties, he should implement steps to strengthen internal controls:

- The Sheriff should recount the daily deposits.
- The Sheriff should review the receipts ledger and agree it to daily checkouts and deposits into the bank.
- The Sheriff should review the bank statements and reconciliations and agree balances to the ledgers.
- The Sheriff should compare the quarterly financial report to the receipts and disbursements ledger.
- The Sheriff should periodically compare invoices to payments.
- The Sheriff should compare the salaries listed on the quarterly report to individual earnings records.

*Sheriff's Response: Due to limited staff, segregation of duties has not been feasible. However, the Sheriff will now implement the 6 steps mentioned above in order to strengthen internal controls.*

2006-13 The Sheriff Should Eliminate The \$24,158 Deficit In His 2004 Fee Account

Our review of the prior year audit report comments revealed the Sheriff has not eliminated the \$24,158 deficit in his 2004 fee account resulting from unpaid liabilities. The 2003 tax account is due \$16,068 for the overpayment of tax commissions. When the Sheriff pays this liability, the funds will be used to pay taxes owed to the various taxing districts. The largest amount is due the school district in the amount of \$12,140. The remainder of the deficit is \$8,090 due the county for excess fees. As of the audit date, the Sheriff has not personally deposited funds into the 2004 fee account to eliminate the deficit. We recommend the Sheriff deposit personal funds in the amount of \$24,158 to eliminate the deficit.

*Sheriff's Response: Steps are being taken to take care of this problem. I hope to clear everything up this year.*

